



United States Department of Agriculture
Food and Nutrition Service

Southeast Region

Reply to

Attn. of: CN 11-02

February 9, 2005

Subject: Guidance on Reallocation of Child and Adult Care Food Program (CACFP) Audit Funds

To: All CACFP State Directors
Southeast Region

Section 796 of Public Law 108-447, the Consolidated Appropriations Act of 2005, authorizes the reallocation of the audit funds made available to States administering the CACFP. Effective with Fiscal Year (FY) 2004, CACFP audit funds identified by the Food and Nutrition Service as having been unused during the initial fiscal year of availability may be recovered and reallocated.

This memorandum provides the information needed to conduct the reallocation of FY 2004 CACFP audit funds. Reallocation is the process by which State agencies (SAs) can request additional CACFP audit funds above their initially authorized funding level. We anticipate that the amount of CACFP audit funds that will be available for FY 2004 reallocation will be limited, therefore, SAs that request funds should focus their needs for resources on audit activities that are critical to CACFP. We won't know until final closeout is completed in late April, 2005, the amount of audit funds available for reallocation. Furthermore, the availability of CACFP audit funds for reallocation in future years cannot be guaranteed.

The following are the key requirements related to the reallocation of CACFP audit funds:

Requests must be for allowable uses of CACFP audit funds as described in SERO Policy Memorandum 226.08-03 (attached).

Requests must include a justification for funds that describes what activity will be performed and why the activity is needed.

Since funding is not guaranteed for future years, priority will be given to those reallocation requests that focus on one-time only projects that are critical to CACFP audit activities.

Activities funded with CACFP reallocated audit funds must be completed by September 30, 2006. The reallocated funds must be obligated by September 30, 2006, and expended by December 15, 2006.

The amount of State Administrative Expense (SAE) funds that a SA anticipates carrying over into FY 2006, as indicated on the SAE Funds Reallocation Report (FNS-525), will be a factor in approval of reallocated audit funds. An SA that does not anticipate having SAE carryover funds will have higher priority to receive reallocated audit funds.

Effective use of the reallocated FY 2004 audit funds received by a SA in FY 2005 will be considered if funds become available for reallocation in future years.

We ask that all reallocation requests be given to us by March 28, so that we may review them and forward them to the Child Nutrition Division by April 1. If you intend to request reallocated funds, please let us know ahead of the due date so that we can assist as needed in making sure that requests are complete. If you have questions, please contact Rick Hargreaves at (404) 562-7083.

PEGGY FOUTS
Regional Director
Special Nutrition Programs

Attachment



United States Department of Agriculture
Food and Nutrition Service

Southeast Region

Reply to

Attn. of: SA 9-2 GEN

March 25, 1999

Subject: CACFP Policy Number 226.08-03: Child and Adult Care Food Program (CACFP)
One and One Half Percent Audit Funds

To: All State CACFP Directors
Southeast Region

This memorandum is a revision to policy regarding the former two percent audit funds for CACFP. Please remove the 226.08-03 memorandum on this topic issued 7/24/98, and insert this memorandum.

As you are aware, the Child Nutrition Reauthorization Act of 1998, Public Law 105-336, amended section 17(I) of the National School Lunch Act by reducing the amount of funding provided to State Agencies (SAs) for the purpose of carrying out audits and other oversight activities from two percent of the CACFP funds expended by the State in the second preceding Fiscal Year (FY), to one and one-half percent.

During recent meetings in Alexandria, Virginia, the issue of use of one and one-half percent audit funds was raised. Our National Office received inquiries regarding the use of audit funds for training or technical assistance in problem areas which are identified during audit or review activities. These inquiries led our National Office to evaluate other possible uses of one and one-half percent audit funds.

On July 25, 1994, we issued policy memorandum 94-09, which provided clarification on 226.8 Audits, (b) and (c). This memorandum (later renumbered 226.08-03) advised that SAs could use the two percent audit funds for any allowable costs associated with conducting, handling, and processing CACFP related audits and CACFP administrative reviews. This policy allows State agencies to use such funds for allowable costs including, but not limited to, salaries, the purchase of equipment, etc., provided that such costs are incurred strictly to meet the audit requirements of Part 226.8, and subsequent to the completion of the required audits, the administrative review requirements of Part 226.6.

All State CACFP Directors

Page 2

In light of recent concerns related to integrity within the CACFP, and to provide maximum flexibility to SAs, this memorandum allows the use of one and one-half percent audit funds by SAs to provide training or technical assistance to CACFP organizations and State staff in program areas where problems are identified during audit or review activities. These training and technical assistance efforts may be directed to areas identified during administrative reviews and organization wide or program specific audits. Further, the cost of meetings, training, or technical assistance needs identified as national trends through initiatives such as OIG audits or by the Regional Office and Child Nutrition Division are allowable. Costs associated with these training or technical assistance activities include SA costs for salaries, travel, and the development and distribution of training materials. In addition, our National Office determined that the audit funds may be used to provide training or fund attendance at training on the identification of indicators which can be used to assess compliance with program regulations and standards. These indicators could be trends or patterns based on statistical or anecdotal information gained through prior audit or review results.

As with State Administrative Expense funds, allowable costs must be limited to those incurred by the SA and can not be extended to cover expenses incurred by institutions.

If you have any questions regarding this matter, please contact our office.

CHARLIE SIMMONS
Regional Director
Special Nutrition Programs